

THE WHITE HOUSE

February 12, 1965

REFERRAL TO NSC NOT REQUIRED

MEMORANDUM FOR DEPARTMENT AND AGENCY HEADS

On Thursday, February 11, at the Cabinet Meeting, the President expressed the hope that all Department and Agency Heads would read, discuss with their staffs, and seek to contribute to the implementation of the Messages to Congress on the Balance of Payments and Natural Beauty. At the same time, the President also suggested that Department and Agency Heads would find useful the information on the economy provided to him by the Council of Economic Advisers, presenting the first performance profile of 1965 on the various indices of economic activity.

For your convenience, copies of these Messages and the CEA Advisory are attached.



Horace Busby

Special Assistant to the President

Advised A/DC/ and morning meeting 19 Feb. 65

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FOR RELEASE AT 12 NOON (EST)

February 8, 1965

NOTICE: There should be no premature release of this Message to the Congress, nor should its contents be paraphrased, alluded to or hinted at in earlier stories. There is a total embargo on this message until 12:00 noon February 8, 1965, which includes any and all references to any material in this message.

George E. Reedy
Press Secretary to the President

THE WHITE HOUSE

MESSAGE ON NATURAL BEAUTY

TO THE CONGRESS OF THE UNITED STATES:

For centuries Americans have drawn strength and inspiration from the beauty of our country. It would be a neglectful generation indeed, indifferent alike to the judgment of history and the command of principle, which failed to preserve and extend such a heritage for its descendants.

Yet the storm of modern change is threatening to blight and diminish in a few decades what has been cherished and protected for generations.

A growing population is swallowing up areas of natural beauty with its demands for living space, and is placing increased demand on our overburdened areas of recreation and pleasure.

The increasing tempo of urbanization and growth is already depriving many Americans of the right to live in decent surroundings. More of our people are crowding into cities and being cut off from nature. Cities themselves reach out into the countryside, destroying streams and trees and meadows as they go. A modern highway may wipe out the equivalent of a fifty acre park with every mile. And people move out from the city to get closer to nature only to find that nature has moved farther from them.

The modern technology, which has added much to our lives can also have a darker side. Its uncontrolled waste products are menacing the world we live in, our enjoyment and our health. The air we breathe, our water, our soil and wildlife, are being blighted by the poisons and chemicals which are the by-products of technology and industry. The skeletons of discarded cars litter the countryside. The same society which receives the rewards of technology, must, as a cooperating whole, take responsibility for control.

To deal with these new problems will require a new conservation. We must not only protect the countryside and save it from destruction, we must restore what has been destroyed and salvage the beauty and charm of our cities. Our conservation must be not just the classic conservation of protection and development, but a creative conservation of restoration and innovation. Its concern is not with nature alone, but with the total relation between man and the world around him. Its object is not just man's welfare but the dignity of man's spirit.

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In this conservation the protection and enhancement of man's opportunity to be in contact with beauty must play a major role.

This means that beauty must not be just a holiday treat, but a part of our daily life. It means not just easy physical access, but equal social access for rich and poor, Negro and white, city dweller and farmer.

Beauty is not an easy thing to measure. It does not show up in the gross national product, in a weekly pay check, or in profit and loss statements. But these things are not ends in themselves. They are a road to satisfaction and pleasure and the good life. Beauty makes its own direct contribution to these final ends. Therefore it is one of the most important components of our true national income, not to be left out simply because statisticians cannot calculate its worth.

And some things we do know. Association with beauty can enlarge man's imagination and revive his spirit. Ugliness can demean the people who live among it. What a citizen sees every day is his America. If it is attractive it adds to the quality of his life. If it is ugly it can degrade his existence.

Beauty has other immediate values. It adds to safety whether removing direct dangers to health or making highways less monotonous and dangerous. We also know that those who live in blighted and squalid conditions are more susceptible to anxieties and mental disease.

Ugliness is costly. It can be expensive to clean a soot smeared building, or to build new areas of recreation when the old landscape could have been preserved far more cheaply.

Certainly no one would hazard a national definition of beauty. But we do know that nature is nearly always beautiful. We do, for the most part, know what is ugly. And we can introduce, into all our planning, our programs, our building and our growth, a conscious and active concern for the values of beauty. If we do this then we can be successful in preserving a beautiful America.

There is much the federal government can do, through a range of specific programs, and as a force for public education. But a beautiful America will require the effort of government at every level, of business, and of private groups. Above all it will require the concern and action of individual citizens, alert to danger, determined to improve the quality of their surroundings, resisting blight, demanding and building beauty for themselves and their children.

I am hopeful that we can summon such a national effort. For we have not chosen to have an ugly America. We have been careless, and often neglectful. But now that the danger is clear and the hour is late this people can place themselves in the path of a tide of blight which is often irreversible and always destructive.

The Congress and the Executive branch have each produced conservation giants in the past. During the 88th Congress it was legislative executive teamwork that brought progress. It is this same kind of partnership that will ensure our continued progress.

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In that spirit as a beginning and stimulus I make the following proposals:

THE CITIES

Thomas Jefferson wrote that communities "should be planned with an eye to the effect made upon the human spirit by being continually surrounded with a maximum of beauty."

We have often sadly neglected this advice in the modern American city. Yet this is where most of our people live. It is where the character of our young is formed. It is where American civilization will be increasingly concentrated in years to come.

Such a challenge will not be met with a few more parks or playgrounds. It requires attention to the architecture of building, the structure of our roads, preservation of historical buildings and monuments, careful planning of new suburbs. A concern for the enhancement of beauty must infuse every aspect of the growth and development of metropolitan areas. It must be a principal responsibility of local government, supported by active and concerned citizens.

Federal assistance can be a valuable stimulus and help to such local efforts.

I have recommended a community extension program which will bring the resources of the university to focus on problems of the community just as they have long been concerned with our rural areas. Among other things, this program will help provide training and technical assistance to aid in making our communities more attractive and vital. In addition, under the Housing Act of 1964, grants will be made to States for training of local governmental employees needed for community development. I am recommending a 1965 supplemental appropriation to implement this program.

We now have two programs which can be of special help in creating areas of recreation and beauty for our metropolitan area population: the Open Space Land Program, and the Land and Water Conservation Fund.

I have already proposed full funding of the Land and Water Conservation Fund, and directed the Secretary of the Interior to give priority attention to serving the needs of our growing urban population.

The primary purpose of the Open Space Program has been to help acquire and assure open spaces in urban areas. I propose a series of new matching grants for improving the natural beauty of urban open space.

The Open Space Program should be adequately financed, and broadened by permitting grants to be made to help city governments acquire and clear areas to create small parks, squares, pedestrian malls and playgrounds.

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In addition I will request authority in this program for a matching program to cities for landscaping, installation of outdoor lights and benches, creating attractive cityscapes along roads and in business areas, and for other beautification purposes.

Our city parks have not, in many cases, realized their full potential as sources of pleasure and play. I recommend on a matching basis a series of federal demonstration projects in city parks to use the best thought and action to show how the appearance of these parks can better serve the people of our towns and metropolitan areas.

All of these programs should be operated on the same matching formula to avoid unnecessary competition among programs and increase the possibility of cooperative effort. I will propose such a standard formula.

In a future message on the cities I will recommend other changes in our housing programs designed to strengthen the sense of community of which natural beauty is an important component.

In almost every part of the country citizens are rallying to save landmarks of beauty and history. The government must also do its share to assist these local efforts which have an important national purpose. We will encourage and support the National Trust for Historic Preservation in the United States, chartered by Congress in 1949. I shall propose legislation to authorize supplementary grants to help local authorities acquire, develop and manage private properties for such purposes.

The Registry of National Historic Landmarks is a fine federal program with virtually no federal cost. I commend its work and the new wave of interest it has evoked in historical preservation.

THE COUNTRYSIDE

Our present system of parks, seashores and recreation areas -- monuments to the dedication and labor of far-sighted men -- do not meet the needs of a growing population.

The full funding of the Land and Water Conservation Fund will be an important step in making this a Parks-for-America decade.

I propose to use this fund to acquire lands needed to establish:

- Assateague Island National Seashore, Maryland-Virginia
- Tocks Island National Recreation Area, New Jersey-Pennsylvania
- Cape Lookout National Seashore, North Carolina
- Sleeping Bear Dunes National Lakeshore, Michigan
- Indiana Dunes National Lakeshore, Indiana
- Oregon Dunes National Seashore, Oregon
- Great Basin National Park, Nevada
- Guadalupe Mountains National Park, Texas
- Spruce Knob, Seneca Rocks National Recreation Area, West Virginia
- Bighorn Canyon National Recreation Area, Montana-Wyoming
- Flaming Gorge National Recreation, Utah-Wyoming
- Whiskeytown-Shasta-Trinity National Recreation Area, California

In addition, I have requested the Secretary of Interior, working with interested groups, to conduct a study on the desirability of establishing a Redwood National Park in California.

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I will also recommend that we add prime outdoor recreation areas to our National Forest system, particularly in the populous East; and proceed on schedule with studies required to define and enlarge the Wilderness System established by the 88th Congress. We will also continue progress on our refuge system for migratory waterfowl.

Faulty strip and surface mining practices have left ugly scars which mar the beauty of the landscape in many of our States. I urge your strong support of the nationwide strip and surface mining study provided by the Appalachian Regional legislation, which will furnish the factual basis for a fair and reasonable approach to the correction of these past errors.

I am asking the Secretary of Agriculture to work with State and local organizations in developing a cooperative program for improving the beauty of the privately owned rural lands which comprise three-fourths of the Nation's area. Much can be done within existing Department of Agriculture programs without adding to cost.

The 28 million acres of land presently held and used by our Armed Services is an important part of our public estate. Many thousands of these acres will soon become surplus to military needs. Much of this land has great potential for outdoor recreation, wildlife, and conservation uses consistent with military requirements. This potential must be realized through the fullest application of multiple-use principles. To this end I have directed the Secretaries of Defense and Interior to conduct a "conservation inventory" of all surplus lands.

HIGHWAYS

More than any country ours is an automobile society. For most Americans the automobile is a principal instrument of transportation, work, daily activity, recreation and pleasure. By making our roads highways to the enjoyment of nature and beauty we can greatly enrich the life of nearly all our people in city and countryside alike.

Our task is two-fold. First, to ensure that roads themselves are not destructive of nature and natural beauty. Second, to make our roads ways to recreation and pleasure.

I have asked the Secretary of Commerce to take a series of steps designed to meet this objective. This includes requiring landscaping on all federal interstate primary and urban highways, encouraging the construction of rest and recreation areas along highways, and the preservation of natural beauty adjacent to highway rights-of-way.

Our present highway law permits the use of up to 3% of all federal-aid funds to be used without matching for the preservation of natural beauty. This authority has not been used for the purpose intended by Congress. I will take steps, including recommended legislation if necessary, to make sure these funds are, in fact, used to enhance beauty along our highway system. This will dedicate substantial resources to this purpose.

I will also recommend that a portion of the funds now used for secondary roads be set aside in order to provide access to areas of rest and recreation and scenic beauty along our nation's roads, and for rerouting or construction of highways for scenic or parkway purposes.

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The Recreation Advisory Council is now completing a study of the role which scenic roads and parkways should play in meeting our highway and recreation needs. After receiving the report, I will make appropriate recommendations.

The authority for the existing program of outdoor advertising control expires on June 30, 1965, and its provisions have not been effective in achieving the desired goal. Accordingly, I will recommend legislation to ensure effective control of billboards along our highways.

In addition, we need urgently to work towards the elimination or screening of unsightly, beauty-destroying junkyards and auto graveyards along our highways. To this end, I will also recommend necessary legislation to achieve effective control, including Federal assistance in appropriate cases where necessary.

I hope that, at all levels of government, our planners and builders will remember that highway beautification is more than a matter of planting trees or setting aside scenic areas. The roads themselves must reflect, in location and design, increased respect for the natural and social integrity and unity of the landscape and communities through which they pass.

RIVERS

Those who first settled this continent found much to marvel at. Nothing was a greater source of wonder and amazement than the power and majesty of American rivers. They occupy a central place in myth and legend, folklore and literature.

They were our first highways, and some remain among the most important. We have had to control their ravages, harness their power, and use their water to help make whole regions prosper.

Yet even this seemingly indestructible natural resource is in danger.

Through our pollution control programs we can do much to restore our rivers. We will continue to conserve the water and power for tomorrow's needs with well-planned reservoirs and power dams. But the time has also come to identify and preserve free flowing stretches of our great scenic rivers before growth and development make the beauty of the unspoiled waterway a memory.

To this end I will shortly send to the Congress a Bill to establish a National Wild Rivers System.

THE POTOMAC

The river rich in history and memory which flows by our nation's capital should serve as a model of scenic and recreation values for the entire country. To meet this objective I am asking the Secretary of the Interior to review the Potomac River basin development plan now under review by the Chief of Army Engineers, and to work with the affected States and local governments, the District of Columbia and interested federal agencies to prepare a program for my consideration.

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A program must be devised which will:

- a. Clean up the river and keep it clean, so it can be used for boating, swimming and fishing.
- b. Protect its natural beauties by the acquisition of scenic easements, zoning or other measures.
- c. Provide adequate recreational facilities, and
- d. Complete the presently authorized George Washington Memorial Parkway on both banks.

I hope action here will stimulate and inspire similar efforts by States and local governments on other urban rivers and waterfronts, such as the Hudson in New York. They are potentially the greatest single source of pleasure for those who live in most of our metropolitan areas.

TRAILS

The forgotten outdoorsmen of today are those who like to walk, hike, ride horseback or bicycle. For them we must have trails as well as highways. Nor should motor vehicles be permitted to tyranize the more leisurely human traffic.

Old and young alike can participate. Our doctors recommend and encourage such activity for fitness and fun.

I am requesting, therefore, that the Secretary of the Interior work with his colleagues in the federal government and with state and local leaders and recommend to me a cooperative program to encourage a national system of trails, building up the more than hundred thousand miles of trails in our National Forests and Parks.

There are many new and exciting trail projects underway across the land. In Arizona, a county has arranged for miles of irrigation canal banks to be used by riders and hikers. In Illinois, an abandoned railroad right of way is being developed as a "Prairie Path." In Mexico utility rights of way are used as public trails.

As with so much of our quest for beauty and quality, each community has opportunities for action. We can and should have an abundance of trails for walking, cycling and horseback riding, in and close to our cities. In the back country we need to copy the great Appalachian Trail in all parts of America, and to make full use of rights of way and other public paths.

POLLUTION

One aspect of the advance of civilization is the evolution of responsibility for disposal of waste. Over many generations society gradually developed techniques for this purpose. State and local governments, landlords and private citizens have been held responsible for ensuring that sewage and garbage did not menace health or contaminate the environment.

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In the last few decades entire new categories of waste have come to plague and menace the American scene. These are the technological wastes -- the by-products of growth, industry, agriculture, and science. We cannot wait for slow evolution over generations to deal with them.

Pollution is growing at a rapid rate. Some pollutants are known to be harmful to health, while the effect of others is uncertain and unknown. In some cases we can control pollution with a larger effort. For other forms of pollution we still do not have effective means of control.

Pollution destroys beauty and menaces health. It cuts down on efficiency, reduces property values and raises taxes.

The longer we wait to act, the greater the dangers and the larger the problem.

Large-scale pollution of air and waterways is no respecter of political boundaries, and its effects extend far beyond those who cause it.

Air pollution is no longer confined to isolated places. This generation has altered the composition of the atmosphere on a global scale through radioactive materials and a steady increase in carbon dioxide from the burning of fossil fuels. Entire regional airsheds, crop plant environments, and river basins are heavy with noxious materials. Motor vehicles and home heating plants, municipal dumps and factories continually hurl pollutants into the air we breathe. Each day almost 50,000 tons of unpleasant, and sometimes poisonous, sulfur dioxide are added to the atmosphere, and our automobiles produce almost 300,000 tons of other pollutants.

In Donora, Pennsylvania in 1948, and New York City in 1953 serious illness and some deaths were produced by sharp increases in air pollution. In New Orleans, epidemic outbreaks of asthmatic attacks are associated with air pollutants. Three-fourths of the eight million people in the Los Angeles area are annoyed by severe eye irritation much of the year. And our health authorities are increasingly concerned with the damaging effects of the continual breathing of polluted air by all our people in every city in the country.

In addition to its health effects, air pollution creates filth and gloom and depreciates property values of entire neighborhoods. The White House itself is being dirtied with soot from polluted air.

Every major river system is now polluted. Waterways that were once sources of pleasure and beauty and recreation are forbidden to human contact and objectionable to sight and smell. Furthermore, this pollution is costly, requiring expensive treatment for drinking water and inhibiting the operation and growth of industry.

In spite of the efforts and many accomplishments of the past, water pollution is spreading. And new kinds of problems are being added to the old:

- Waterborne viruses, particularly hepatitis, are replacing typhoid fever as a significant health hazard.
- Mass deaths of fish have occurred in rivers over-burdened with wastes.
- Some of our rivers contain chemicals which, in concentrated form, produce abnormalities in animals.
- Last summer 2,600 square miles of Lake Erie -- over a quarter of the entire Lake -- were almost without oxygen and unable to support life because of algae and plant growths, fed by pollution from cities and farms.

In many older cities storm drains and sanitary sewers are interconnected. As a result, mixtures of storm water and sanitary waste overflow during rains and discharge directly into streams, bypassing treatment works and causing heavy pollution.

In addition to our air and water we must, each and every day, dispose of a half billion pounds of solid waste. These wastes -- from discarded cans to discarded automobiles -- litter our country, harbor vermin, and menace our health. Inefficient and improper methods of disposal increase pollution of our air and streams.

Almost all these wastes and pollutions are the result of activities carried on for the benefit of man. A prime national goal must be an environment that is pleasing to the senses and healthy to live in.

Our Government is already doing much in this field. We have made significant progress. But more must be done.

Federal Government Activity

I am directing the heads of all agencies to improve measures to abate pollution caused by direct agency operation, contracts and cooperative agreements. Federal procurement practices must make sure that the Government equipment uses the most effective techniques for controlling pollution. The Administrator of General Services has already taken steps to assure that motor vehicles purchased by the Federal Government meet minimum standards of exhaust quality.

Clean Water

Enforcement authority must be strengthened to provide positive controls over the discharge of pollutants into our interstate or navigable waters. I recommend enactment of legislation to:

- Provide, through the setting of effective water quality standards, combined with a swift and effective enforcement procedure, a national program to prevent water pollution at its source rather than attempting to cure pollution after it occurs.
- Increase project grant ceilings and provide additional incentives for multi-municipal projects under the waste treatment facilities construction program.
- Increase the ceilings for grants to State water pollution control programs.
- Provide a new research, and demonstration construction program leading to the solution of problems caused by the mixing of storm water runoff and sanitary wastes.

The Secretary of Health, Education, and Welfare will undertake an intensive program to clean up the Nation's most polluted rivers. With the cooperation of States and cities -- using the tools of regulation, grant and incentives -- we can bring the most serious problem of river pollution under control. We cannot afford to do less.

We will work with Canada to develop a pollution control program for the Great Lakes and other border waters.

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Through an expanded program carried on by the Department of Health, Education, and Welfare and Interior, we will continue to seek effective and economical methods for controlling pollution from acid mine drainage.

To improve the quality of our waters will require the fullest cooperation of our State and local government. Working together, we can -- and will preserve and increase one of our most valuable national resources -- clean water.

Clean Air

The enactment of the Clean Air Act in December of 1963 represented a long step forward in our ability to understand and control the difficult problem of air pollution. The 1966 Budget request of 24 million dollars is almost double the amount spent on air pollution programs in the year prior to its enactment.

In addition, the Clean Air Act should be improved to permit the Secretary of Health, Education, and Welfare to investigate potential air pollution problems before pollution happens, rather than having to wait until the damage occurs, as is now the case, and to make recommendations leading to the prevention of such pollution.

One of the principal unchecked sources of air pollution is the automobile. I intend to institute discussions with industry officials and other interested groups leading to an effective elimination or substantial reduction of pollution from liquid fueled motor vehicles.

Solid Wastes

Continuing technological progress and improvement in methods of manufacture, packaging and marketing of consumer products has resulted in an ever mounting increase of discarded material. We need to seek better solutions to the disposal of these wastes. I recommend legislation to:

- Assist the States in developing comprehensive programs for some forms of solid waste disposal.
- Provide for research and demonstration projects leading to more effective methods for disposing of or salvaging solid wastes.
- Launch a concentrated attack on the accumulation of junk cars by increasing research in the Department of the Interior leading to use of metal from scrap cars where promising leads already exist.

Pesticides

Pesticides may affect living organisms wherever they occur.

In order that we may better understand the effects of these compounds, I have included increased funds in the budget for use by the Secretaries of Agriculture, Interior, and Health, Education, and Welfare to increase their research efforts on pesticides so they can give special attention to the flow of pesticides through the environment; study the means by which pesticides break down and disappear in nature; and to keep a constant check on the level of pesticides in our water, air, soil and food supply.

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I am recommending additional funds for the Secretary of Agriculture to reduce contamination from toxic chemicals through intensified research, regulatory control, and educational programs.

The Secretary of Agriculture will soon submit legislation to tighten control over the manufacture and use of agricultural chemicals, including licensing and factory inspection of manufacturers, clearly placing the burden of proof of safety on the proponent of the chemical rather than on the Government.

Research Resources

Our needs for new knowledge and increasing application of existing knowledge demand a greater supply of trained manpower and research resources.

A National Center for Environmental Health Sciences is being planned as a focal point for health research in this field. In addition, the 1966 budget includes funds for the establishment of university institutes to conduct research and training in environmental pollution problems.

Legislation recommended in my message on health has been introduced to increase Federal support for specialized research facilities of a national or regional character. This proposal, aimed at health research needs generally, would assist in the solution of environmental health problems and I urge its passage.

We need legislation to provide to the Departments of Agriculture and the Interior authority for grants for research in environmental pollution control in their areas of responsibility. I have asked the Secretary of Interior to submit legislation to eliminate the ceiling on pesticide research.

Other Efforts

In addition to these needed actions, other proposals are undergoing active study.

I have directed the Chairman of the Council of Economic Advisers, with the appropriate departments, to study the use of economic incentives as a technique to stimulate pollution prevention and abatement, and to recommend actions or legislation, if needed.

I have instructed the Director of the Bureau of the Budget and the Director of the Office of Science and Technology to explore the adequacy of the present organization of pollution control and research activities.

I have also asked the Director of the Office of Science and Technology and the Director of the Bureau of the Budget to recommend the best way in which the Federal government may direct efforts toward advancing our scientific understanding of natural plant and animal communities and their interaction with man and his activities.

The actions and proposals recommended in this message will take us a long way toward immediate reversal of the increase of pollutants in our environment. They will also give us time until new basic knowledge and trained manpower provide opportunities for more dramatic gains in the future.

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WHITE HOUSE CONFERENCE

I intend to call a White House Conference on Natural Beauty to meet in mid-May of this year. Its chairman will be Mr. Laurance Rockefeller.

It is my hope that this Conference will produce new ideas and approaches for enhancing the beauty of America. Its scope will not be restricted to federal action. It will look for ways to help and encourage state and local government, institutions and private citizens, in their own efforts. It can serve as a focal point for the large campaign of public education which is needed to alert Americans to the danger to their natural heritage and to the need for action.

In addition to other subjects which this Conference will consider, I recommend the following subjects for discussion in depth:

- Automobile junkyards. I am convinced that analysis of the technology and economics can help produce a creative solution to this vexing problem. The Bureau of Mines of the Interior Department can contribute technical advice to the conference, as can the scrap industry and the steel industry.
- Underground installation of utility transmission lines. Further research is badly needed to enable us to cope with this problem.
- The greatest single force that shapes the American landscape is private economic development. Our taxation policies should not penalize or discourage conservation and the preservation of beauty.
- Ways in which the Federal Government can, through information and technical assistance, help communities and states in their own programs of natural beauty.
- The possibilities of a national tree planting program carried on by government at every level, and private groups and citizens.

CONCLUSION

In my thirty-three years of public life I have seen the American system move to conserve the natural and human resources of our land.

TVA transformed an entire region that was "depressed." The rural electrification cooperatives brought electricity to lighten the burdens of rural America. We have seen the forests replanted by the CCC's, and watched Gifford Pinchot's sustained yield concept take hold on forestlands.

It is true that we have often been careless with our natural bounty. At times we have paid a heavy price for this neglect. But once our people were aroused to the danger, we have acted to preserve our resources for the enrichment of our country and the enjoyment of future generations.

The beauty of our land is a natural resource. Its preservation is linked to the inner prosperity of the human spirit.

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The tradition of our past is equal to today's threat to that beauty. Our land will be attractive tomorrow only if we organize for action and rebuild and reclaim the beauty we inherited. Our stewardship will be judged by the foresight with which we carry out these programs. We must rescue our cities and countryside from blight with the same purpose and vigor with which, in other areas, we moved to save the forests and the soil.

LYNDON B. JOHNSON

THE WHITE HOUSE,

February 8, 1965.

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FOR RELEASE AT 12 NOON (EST)

February 10, 1965

NOTICE: There should be no premature release of this Message to the Congress, nor should its contents be paraphrased, alluded to or hinted at in earlier stories. There is a total embargo on this message until 12:00 noon, February tenth, which includes any and all references to any material in this message.

George E. Reedy
Press Secretary to the President

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

After a full review of our international balance of payments and our gold position, I can report to the Congress that:

The state of the dollar in the world today is strong -- far stronger than three or four years ago.

To assure its continued and growing strength, however, we need to take new steps to speed our progress toward balance in our external payments.

The strength of our dollar is backed by

-- the world's most productive and efficient economy, moving each year to new heights of output, employment, and income without inflation;

-- the world's largest supply of gold, fully pledged to honor this country's dollar obligations;

-- the world's strongest creditor position, based on \$88 billion of public and private claims against foreigners, \$37 billion greater than their claims against us; counting our private assets only, the margin is about \$15 billion, and steadily growing;

-- the world's most favorable trade position, based on a rise in our exports by more than one-fourth in four years -- a rise which has brought our commercial exports (excluding exports financed by the government) to \$22.2 billion and our commercial trade surplus to \$3.6 billion.

Clearly, those who fear for the dollar are needlessly afraid. Those who hope for its weakness, hope in vain:

- A country which exports far more than it imports and whose net asset position abroad is great and growing is not "living beyond its means."
- The dollar is, and will remain, as good as gold, freely convertible at \$35 an ounce.

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That pledge is backed by our firm determination to bring an end to our balance of payments deficit.

Last year, our flows of dollars abroad -- to pay for our imports and foreign travel, to finance our loans and investments abroad, and to meet our defense and aid obligations -- still exceeded our dollar credits from foreigners by \$3 billion. This represents steady improvement over the \$3.6 billion deficit in 1962 and the \$3.3 billion deficit in 1963. But our progress is too slow.

The world willingly uses our dollars as a safe and convenient medium of international exchange. The world's growing supply of dollars has played a vital role in the postwar growth of the free world's commerce and finance. But we cannot ... and do not assume that the world's willingness to hold dollars is unlimited.

On the basis of searching study of the major causes of our continued imbalance of payments, I therefore propose the following program:

- First, to maintain and strengthen our checkrein on foreign use of United States capital markets, I ask the Congress
 - to extend the Interest Equalization Tax for two years beyond December 31, 1965;
 - to broaden its coverage to non-bank credit of one-to-three year maturity;
- Second, to stem and reverse the swelling tide of U. S. bank loans abroad, I have used the authority available to me under the Gore Amendment to the Act to apply the Interest Equalization Tax to bank loans of one year or more.
- Third, to stop any excessive flow of funds to Canada under its special exemption from the Equalization Tax, I have sought and received firm assurance that the policies of the Canadian Government are and will be directed towards limiting such outflows to the maintenance of a stable level of Canada's foreign exchange reserves.
- Fourth, to limit further the outflow of bank loans, I am asking the Chairman of the Board of Governors of the Federal Reserve System in cooperation with the Secretary of the Treasury to enroll the banking community in a major effort to limit their lending abroad.
- Fifth, to ensure the effective cooperation of the banking

- Seventh, to minimize the foreign exchange costs of our defense and aid programs, I am directing the Secretary of Defense, the Administrator of AID, and other officials immediately to step up their efforts to cut overseas dollar costs to the bone.
- Eighth, to narrow our tourist gap, I encourage our friends from abroad, as well as our own citizens, to "See the U.S.A.;" and I request legislation further to limit the duty-free exemptions of American tourists returning to the United States.
- Ninth, to earn more trade dollars, I am calling for a redoubling of our efforts to promote exports.
- Finally, to draw more investment from abroad, I am requesting new tax legislation to increase the incentives for foreigners to invest in U.S. corporate securities.

These measures will deal with our payments deficit and protect the dollar in ways fully consistent with our obligations

- to sustain prosperity at home;
- to maintain our defenses abroad;
- to supply private and public funds to less developed countries to build both their strength and their freedom;
- to avoid "beggar thy neighbor" restrictions on trade and work for a successful conclusion of the Kennedy Round trade negotiations;
- to work with our trading partners toward a more flexible world monetary system.

* * *

These actions should achieve a substantial reduction in our international deficit during 1965, and secure still further improvement in 1966.

Where We Stand Today

Our deficit in 1964 was too large. And over half of it occurred in the final quarter of the year -- partly because of special and temporary factors.

Yet this disturbing reversal of our progress should not blind us to the solid and significant advances we have made in the past four years.

The broad-based attack we launched four years ago -- and intensified 18 months ago -- has in considerable part hit its mark.

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- . Tax cuts and other measures to increase output, stimulate cost-cutting investment, and hold prices steady have made U.S. products far more competitive in world markets. Combined with special export promotion efforts, these policies have
 - boosted our commercial exports by \$4.7 billion, or 27%;
 - pushed our commercial trade surplus to a new record of \$3.6 billion -- \$800 million more than in 1960, and a gain of \$1.3 billion over 1963.
- . Unrelenting efforts to cut the dollar drain of defense and foreign aid expenditures have, since 1960,
 - reduced overseas dollar spending for aid by more than \$400 million;
 - reduced overseas military spending by more than \$200 million (despite rising prices in the countries where our forces are stationed);
 - increased military offset sales to foreign countries through the Department of Defense by \$450 million, and expanded sales of military equipment to foreign governments from commercial sources.
- . Successful policies for expansion both here and overseas have brought a rise by nearly \$2 billion in profits and interest on our past foreign investments.

But these impressive gains totalling well over \$3.5 billion did not correspondingly narrow our balance-of-payments deficit. They were largely offset by a \$2.5 billion rise in the level of private capital outflow since 1960 -- and \$2 billion of this rise occurred from 1963 to 1964:

- . The Interest Equalization Tax successfully diminished American purchases of foreign securities from the peak rate of 1963. But new issues exempt from the tax -- especially by Canada -- kept these purchases nearly \$500 million above the 1960 level.
- . Meanwhile, our banks met foreign demands for capital by adding almost \$1 billion to their long-term loans abroad in 1964 -- \$800 million above 1960 and \$400 million above 1963.
- . Short-term capital outflows in the form of bank credits and corporate funds rose to an estimated \$2 billion, well above the 1960 and 1963 outflows even though our money-market rates were kept generally in line with those abroad.
- . Direct investment abroad by U.S. companies -- very largely in Canada and Europe -- rose by more than \$400 million above 1960 levels, and \$200 million above 1963.

Moreover, travel and tourist spending abroad rose \$600 million from 1960 to 1964, while foreign travel outlays in the United States rose only \$200 million.

The net impact of all these changes was to reduce our over-all deficit by only \$900 million -- from \$3.9 billion in 1960 to \$3.0 billion last year.

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To be sure, we have made more progress than these raw figures suggest. More than half of our 1964 deficit was financed by increased holdings of dollars by foreign citizens and by foreign private banks and businesses. Less than half of it had to be financed by the sale of gold or of dollars to foreign governments and central banks. It is only this "official" part that other countries count as the measure of their deficits.

If we measured our deficit their way, it would show

- in 1962, a deficit of \$3.3 billion;
- in 1963, a deficit of \$2.3 billion; and
- in 1964, a deficit of only \$1.3 billion.

This way of measuring our deficit does not reduce our need for further action. But it gives another, and in many ways a better measure of our progress. It gives another and perhaps more realistic measure of how far we still have to go to attain balance. And it reflects the firm confidence of private individuals the world over in the dollar.

This confidence rests on the full convertibility of our dollars into gold -- at the fixed price of \$35 an ounce. Our gold reserve of \$15 billion represents 35% of the free world's official gold reserves. To eliminate any possible doubts about its full availability I have asked the Congress to remove the outmoded gold cover requirement against Federal Reserve deposits. I am glad that the Congress is acting promptly on this recommendation.

As we move ahead to further measures to cope with our balance of payments problem, it is clear that we lead from strength. But to safeguard that strength, we must reinforce our programs to bring our external payments into balance and maintain full confidence in the dollar.

Measures to Reinforce Our Programs

Capital

I propose to take further steps to restrain our outflow of capital to the advanced industrial world. I do so reluctantly. The contribution of American capital to the world's growth and prosperity has been immense. But our balance of payments deficit leaves me no choice.

The Interest Equalization Tax has effectively reduced the purchases of foreign securities by Americans since legislation was submitted to Congress in July 1963. At the same time, it has encouraged the broadening and deepening of capital markets in Europe -- markets which can make a lasting contribution to the economic growth of the Free World.

The tax is now scheduled to expire at the end of this year. But circumstances require that it remain in effect.

Therefore, I request the Congress to extend for two years the Interest Equalization Tax on purchases by Americans of foreign securities.

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Bank loans abroad with maturities over 1 year -- not now covered by the tax -- increased by more than one-third, or nearly \$1 billion, in 1964. The bulk of this money went to other industrialized countries. Of this, only 15% served to finance U. S. exports.

In my judgment this outflow has reflected substitution for new security issues in an amount sufficient materially to impair the effectiveness of the Interest Equalization Tax.

Acting, therefore, under the authority granted me by the Interest Equalization Tax Act, I have today imposed the Tax on bank loans abroad with maturities of one year or more, with appropriate exemption for borrowers in developing countries.

If the Tax did not apply to foreign credits made by non-bank lenders, it would discriminate against banks and invite an outflow of untaxed funds through non-banking channels.

Therefore, I request the Congress to amend the Interest Equalization Tax to impose it on extensions of non-bank credit of one year or more maturity, effective as of today.

Finally, and as soon as proper authorizations are prepared, I intend to exempt from the Interest Equalization Tax purchases by United States residents of new securities issued or guaranteed by the Government of Japan, up to an aggregate amount of \$100 million each year. Until now, an exemption for Japan under the Interest Equalization Tax has not proved necessary. However, the application of the Tax to bank loans of over one year will, in my judgment, create a sufficient threat to the international monetary system to justify a limited exemption.

* * *

These measures are designed to serve our balance-of-payments objectives without imposing direct controls on American business abroad. We seek to preserve the freedom of the market place. But we cannot succeed without the full cooperation of the business and financial community.

I hereby call on American businessmen and bankers to enter a constructive partnership with their government to protect and strengthen the position of the dollar in the world today. In doing so, they will perform a major service to their Nation. And they will help assure a setting of economic prosperity at home and economic stability abroad in which to conduct their own business and financial operations.

Let me make clear that the government does not wish to impede the financing of exports, or the day-to-day operation of American business abroad. But loans and investments which are not essential must be severely curtailed.

Specifically, I ask the bankers and businessmen of America to exercise voluntary restraint in lending money or making investments abroad in the developed countries. This request applies with special force to short-term loans and direct investments, that is, the capital outflows not covered by the Interest Equalization Tax.

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In connection with bank loans, I am asking the Chairman of the Board of Governors of the Federal Reserve System to work closely with the Secretary of the Treasury and the Nation's banks to develop a program that will sharply limit the flow of bank loans abroad. I have directed the Comptroller of the Currency, and the Chairman of the Federal Deposit Insurance Corporation to cooperate with the Federal Reserve and the Treasury in this undertaking.

To initiate this program, I am inviting a group of our leading bankers to meet with me, the Secretary of the Treasury and the Chairman of the Federal Reserve Board in the near future.

Cooperation among competing banking interests could raise problems under the antitrust laws, and, if extended beyond measures essential to our balance of payments objectives, would damage our competitive system.

Therefore, I request the Congress to grant a statutory exemption from the antitrust laws to make possible the cooperation of American banks in support of our balance of payments objectives. I request, also, that the legislation require that this exemption be administered in ways which will not violate the principles of free competition.

Pending enactment of this legislation, the Secretary of the Treasury and the Federal Reserve will guide this program of voluntary restraint along lines which raise no antitrust problems.

In connection with short-term corporate lending and direct investment in advanced countries abroad, I am asking a group of our leading businessmen to meet with me and the Secretary of Commerce for a full discussion of the voluntary methods by which we can achieve the necessary results. The Secretary of Commerce will remain in close contact with the responsible corporate officials. He will request periodic reports as the basis for appraising their contribution to our balance-of-payments targets.

I have no doubt that American bankers and businessmen will respond to the Nation's need. With their cooperation, we can block the leakage of funds abroad, without blocking the vital flow of credit to American business.

* * *

I am confident that the Federal Reserve, in carrying out its responsibilities for monetary policy, will continue its efforts to maintain short-term rates of return in the American money market. The Treasury will fully cooperate. At the same time -- and in view of the heavy flow of private savings into our capital markets -- I expect the continuation of essential stability in interest rates.

Government Expenditures Abroad

Since 1960, we have steadily reduced the dollar drain of our foreign aid program. We have steadily raised the percentage of AID dollars spent for U. S. goods and services -- 85 percent of new AID commitments are now spent within our borders. Until we master our balance-of-payments problem, AID officials will send no aid dollar abroad that can be sent instead in the form of U.S. goods and services.

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The same rule will apply to our defense dollars. We have already made major progress in cutting the outflow of dollars for our defenses abroad -- without impairing our strength or our defense commitment to the Free World. I have directed the Secretary of Defense to intensify his program

- to shift defense buying from sources abroad to sources in the United States;
- to reduce the staffs in overseas headquarters;
- to streamline overseas support operations;
- to work with our defense partners to increase their offset purchases of military equipment in the United States.

The Department of Defense has already conserved hundreds of millions of dollars of foreign exchange by such actions. But the Secretary assures me he can do more, while fully protecting our security interests and discharging our responsibilities.

Foreign Travel

The growing interest of our citizens in foreign lands, and the steady rise in their incomes, have greatly increased American vacation travel abroad. Foreign travel should be encouraged when we can afford it, but not while our payments position remains urgent. Today, our encouragement must be directed to travel in the United States, both by our own citizens and by our friends from abroad.

I ask the tourist industry to strengthen and broaden the appeal of American vacations to foreign and domestic travelers, and I will support its efforts through the "See the U.S.A." program.

In order to cut the dollar outflows associated with foreign travel, I recommend that the Congress

- pass legislation to reduce the duty exemption on foreign purchases by United States citizens returning from abroad to \$50, based on the price actually paid;
- limit the exemption to goods which accompany the returning travelers.

Foreign Investment in U. S. Securities

A truly worldwide market for capital among industrialized nations requires a two-way flow of investments. In order to stimulate a greater inflow of capital from advanced industrial countries, the Secretary of the Treasury will shortly request legislation, generally along the lines recommended by a Presidential Task Force, to remove tax deterrents to foreign investment in U. S. corporate securities. This action will encourage -- and will be reinforced by -- the efforts of American business and finance to market U. S. stocks and bonds to foreign investors.

Exports and Competition

Finally, and most important for the long pull, American business, labor, agriculture, and government must work together to maintain stable costs and prices and strengthen our trade position in the world.

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Essential to a strong competitive position is an expanding economy operating at or near capacity, yet holding costs and prices in check. Sharp reductions in income taxes -- with more liberal depreciation allowances and special incentives for cost-cutting investment -- have played a key role in creating such strength. Rising volume, rising productivity, and falling tax rates have enabled U. S. industry to hold the line on costs and prices while earning record profits and paying record wages.

As a result, U. S. prices and wage costs have remained more stable in recent years than those of any of our major competitors. The 27% rise in commercial exports since 1960 -- and especially the 15% rise in the past year -- bear witness to our growing ability to compete in foreign markets. And the moderate rise in our imports demonstrates our growing ability to meet and beat foreign competition in our home markets.

But we must not take that ability for granted. Unwarranted price and wage increases could destroy it all too quickly. Unless American business and labor hew to the Government's price-wage guideposts, we will run grave risks of losing our competitive advantage.

Wage increases which exceed economy-wide productivity gains and price decisions which ignore falling unit costs -- and there have been recent instances of both -- do us all a disservice.

I call on all Americans to do their share in maintaining our generally excellent record of wage and price moderation. They will thereby strengthen their country both at home and abroad.

On a foundation of stable costs and prices, we will build an increasingly vigorous program of export expansion:

- I urge the Congress to approve the \$13 million budget request for our export expansion program in the next fiscal year.
- We will step-up our efforts to assure American industry sound and fully competitive export financing.
- We will strive to eliminate such artificial barriers to U. S. exports as discriminatory freight rates on ocean traffic.

Policies for an expanding economy coupled with responsible price and wage decisions and special measures to convert our competitive advantage into greater exports -- this is the combination that holds the key to a lasting solution of our balance-of-payments problem.

Evolution of the International Payments System

The measures I have proposed in this Message will hasten our progress toward international balance without damage to our security abroad or our prosperity at home. But our international monetary responsibilities will not end with our deficit. Healthy growth of the Free World economy requires orderly but continuing expansion of the world's monetary reserves.

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During the past decade, our deficits have helped meet that need. The flow of deficit dollars into foreign Central Banks has made up about half of the increase in Free World reserves. As we eliminate that flow, a shortage of reserves could emerge. We need to continue our work on the development of supplementary sources of reserves to head off that threat. And we need to perfect our mechanisms for making international credit available to countries suffering from balance of payments difficulties -- on terms that will assure orderly correction of imbalances without forcing deflation on deficit countries or inflation on surplus countries.

To go back to a system based on gold alone -- to the system which brought us all to disaster in the early 1930s -- is not an answer the world will, or should, accept. Rather we must build on the system we now have, a system which has served the world well during the past twenty years.

We have already made an excellent start. Our short-term defenses against speculative crises have proved their strength and flexibility. The proposed increase in IMF quotas is a constructive forward step. Further, for some time we have been jointly exploring with our major trading partners how best to create new reserve assets that will be available if needed to supplement gold and dollars.

We must press forward with our studies and beyond, to action -- evolving arrangements which will continue to meet the needs of a fast growing world economy. Unless we make timely progress, international monetary difficulties will exercise a stubborn and increasingly frustrating drag on our policies for prosperity and progress at home and throughout the world.

* * *

Let no one doubt it --

We will eliminate our international deficit.

We will maintain the dollar at full value.

Our instruments and our actions must be as strong as our resolve. That is why I have taken the additional steps, and am asking the Congress for the new legislation. These measures will focus our great economic strength more sharply on our payments problem.

This is a problem that involves us all -- as workers, as businessmen, as bankers, and as Government officials.

I know that the Congress and the American public will respond in full measure to the challenge.

LYNDON B. JOHNSON

THE WHITE HOUSE,

February 10, 1965.

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FOR IMMEDIATE RELEASE

FEBRUARY 11, 1965

Office of the White House Press Secretary

THE WHITE HOUSE

First reports on the performance of the economy at the start of 1965 are now coming in, and they provide encouraging evidence of the continued strength of our extended period of prosperity.

1. Sales of new American autos ran at a rapid pace of nearly 695,000 for the month of January, representing
 - an annual rate of 9-1/2 million cars (seasonally adjusted), and
 - a gain of 21% above January 1964.
2. Total retail sales in January were up 6-1/2% from last January though they did not quite match December's record-shattering pace.
3. Most encouraging was the January drop in the unemployment rate (seasonally adjusted) to 4.8% -- the lowest level in 87 months. Compared with a year ago, we have 1-3/4 million more jobs and about half a million fewer unemployed.
4. Exports soared to a new monthly record in December while imports declined. Our export surplus in December was the highest for any month since March 1957. It brought our 1964 merchandise trade surplus to \$6.9 billion, or 31% above 1963. This fine export record provides a solid foundation for our efforts to correct our balance of payments problem. Payments for these big December exports will get our 1965 balance of payments off to a good start.

Any interpretation of these developments must recognize some qualifications.

- Auto sales are being spurred currently by the backlogs still left from last fall's strikes.
- Our December foreign trade figures probably reflect some rush of shipments to beat the dock strike.
- Extra accumulation of steel inventories is temporarily contributing to our production and employment.

Even with the qualifications, the picture is bright. According to my advisers, this quarter's increase in GNP is expected to exceed the large quarterly gains of last year. It is likely to be the largest advance in more than 3 years, and may even be the biggest gain of the current expansion. We look forward -- with optimism and with determination -- to continued advances throughout 1965.

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